

This record is a partial extract of the original cable. The full text of the original cable is not available.

261231Z Jul 05

UNCLAS SECTION 01 OF 02 YEREVAN 001342

SIPDIS

COMMERCE FOR 3150/PBRADLEY/BSMITH  
COMMERCE FOR 4201/ITA/IEP/OEERIS/BISNIS/EHOUSE  
EMBASSIES - PLEASE PASS FCS  
DEPT FOR EUR/CACEN, EB/CBA  
ANKARA ALSO FOR CFC/ SNYDER/BALLINGER  
PASS TDA-STEIN, OPIC, EXIM-TUMMINIA/PANARO

E.O. 12958: N/A

TAGS: [KTDB](#) [BBSR](#) [BEXP](#) [BTIO](#) [AM](#)

SUBJECT: (IMI) ARMENIA, COMMERCIAL NEWS SUMMARY:  
JULY, 2005

-----  
SUMMARY  
-----

[1](#)1. This cable summarizes press reporting on commercial developments in Armenia for July 2005. Major headlines include:

-- World Bank to provide USD 20 million agricultural loan to the Armenian government;

-- World Bank supports an Urban Heating Project for Armenia;

-- The Lincy Foundation to spend USD 60 million to improve schools and roads;

-- Second mobile communication company starts operating;

-- New law on currency regulation is in force; and

-- July 2005 economic data.

END SUMMARY.

-----  
WORLD BANK TO PROVIDE USD 20 MILLION AGRICULTURAL LOAN  
-----

[1](#)2. The World Bank's (WB) Board of Directors approved a USD 20 million agricultural loan to Armenia. The Armenian government will use the loan to implement the Rural Enterprise and Small-Scale Commercial Agriculture Development Program. The four-year program will assist the development of small and medium sized enterprises engaged in farming and agribusiness. The WB program will also give assistance in marketing agricultural products. The Japanese government will provide USD 1.8 million to co-finance the project.

-----  
WORLD BANK SUPPORTS AN URBAN HEATING PROJECT  
-----

[1](#)3. The World Bank announced a USD 15 million Urban Heating Project for Armenia. The project combines investment, credit and technical assistance financing to support the implementation of the Armenian Government's Urban Heating Strategy for multi-unit apartment buildings and also improve heating in urban schools. The UNDP/GEF project "Improving the Energy Efficiency of Urban Heating and Hot Water Supply in Armenia," will co-finance the project with a USD 2.9 million grant.

-----  
LINCY FOUNDATION GIVES USD 60 MILLION  
-----

[1](#)4. The U.S.-based humanitarian Lincy Foundation announced a new USD 60 million project to improve Armenia's roads and schools. The Lincy Foundation project will renovate schools throughout Armenia, upgrade the streets of Yerevan, and improve various secondary roads throughout Armenia. These new projects follow Lincy's successful completion of USD 150 million of infrastructure renovation in Armenia during 2002-[1](#)2003. In addition, the Lincy Foundation provided USD 20 million of loans to small and medium-sized businesses in Armenia. The Armenian Government will implement these projects with the assistance of the Lincy Foundation.

-----

## SECOND MOBILE COMMUNICATION COMPANY STARTS OPERATING

15. A Lebanese-owned company, K-Telecom, launched Armenia's second mobile phone service on July 1. Working under the VivaCell trademark, the company will serve as an alternative to Armentel, the Greek-owned telecommunications firm that has operated in Armenia since 1998. VivaCell will initially provide coverage only in Yerevan and surrounding regions in southern and central Armenia. According to K-Telecom, the company has already invested USD 75 million in infrastructure in Armenia.

## NEW LAW ON CURRENCY REGULATION CAME INTO FORCE

16. Under a new law on currency regulation all transactions in Armenia between Armenian businesses or private citizens must be in Armenian national currency only. Also, all prices for products and services in Armenia must be denominated in the Armenian dram without reference to a foreign currency. Armenia's Ministry of Finance and Economy as well as Armenia's Tax Service will implement the new law.

## JULY 2005 ECONOMIC DATA

17. According to the preliminary data from the Armenian National Statistical Service, the country's real GDP grew in January-June 2005 by 10.2 percent year-on-year to USD 1.5 billion. Industrial production increased by 5.3 percent during January-April 2005. Agricultural output grew 10.2 percent, and construction volume increased by 43 percent. Armenia's foreign trade in January-June 2005 increased by 26.9 percent to USD 1.3 billion. In January-June 2005, exports amounted to USD 429.1 million, and imports USD 788 million, with a foreign trade deficit of USD 358.9 million. Consumer price inflation was 2.3 percent during January-June 2005 compared to the same period last year.

GODFREY